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Thank you for the opportunity to provide feedback on your proposed changes.

**I strongly oppose the move to increase the service charges to domestic customers.** Increasing the services charges has a number of very fundamental and significant problems which have not been addressed by the QCA nor the Electricity Industry. I would further argue it also contradicts government policy (Local, State and Federal) and is associated with increasing the long term cost of energy above that which would have been achieved by the very significant service charge increase being proposed. This is directly opposite to what the stated reason for the increase is.

I'm appalled at the extremely poor and flimsy way in which decisions are made in the energy industry, lacking significantly in professionalism, evidence based research, understanding and appropriate methodology. To quote a senior engineering energy consultant "the energy industry predicts the future by using a ruler". How much truth is in this statement?

## Cost-reflective and rebalancing?

I fail to understand how the QCA has come up with a service charge calculation (no evidence is provided for this) which is truly non "cost-reflective". A number of assumptions have been made which don't stand up to the QCA own standards.

"Historically, tariff 11 has not been cost-reflective, with the service charge being below cost and the variable charge being above cost. For 2013–14, the QCA established a three-year transitional path to rebalance the fixed and variable components of tariff 11 so that each component is cost-reflective by 1 July 2015."

I hope to show the areas where assumptions have been made and draw attention to the major errors in judgment.

## Different pipe sizes; same supply charge

The proposed service charge on electricity customers makes no sense. The QCA, influenced by the Electricity industry wants to make a flat charge to all customers connected as retail customers regardless of the customer supply connection capacity. **Not all customer connections are the same size.** Amongst domestic customers at least two (probably more) supply capacities (pipe sizes) are in use; 3KVA and 5 KVA. Business customers also have a range of connection capacities which I'm sure the distribution companies can supply a list of. Is the service change based on this connection design capacity or pipe size? If not? Why not? Not all customers are equal, so why the common change? The distribution "cost" must at least be a function of the customer pipe size? The distribution companies should provide a full disclosed reason for the same charges being charged for different supply capacities or pipe sizes and the associated network costs.

## Peak power

The raising of the service changes seems to be an opportunity for major cost shifting from the high household and business network users to that of the majority of low users.

It has been reported for over a decade now by the energy industry that adding any significant appliance (i.e. air conditioners used on hot days) which the population uses simultaneously and for only small percentages of the year or day causes a network investment of \$1,000's of dollars per appliance (the exact cost seems to vary each year but started at \$13,000 and may be a little lower now but still a very significant amount). I'm sure the distribution companies can supply the latest data on the true costs.

It would now seem that the very large capital investment (massive could be a more appropriate word) by the poles and wires companies (in part to supply a large amount of Peak energy on the network) is in the process of being recovered.

It would seem that again all electricity customers are treated equal, despite a significant number of customers not contributing to the need for the massive distribution network upgrade. **So the customers who have caused the high infrastructure investment are not paying for it.** Our current cost recovery method is **not “user pays”**. Or put another way high energy uses are a protected species being cross subsided very significantly by the low uses. With the service changes being a very significant percentage of the lower energy users cost effectively increasing the effective per unit of energy costs while decreasing the high user's costs. **Why is the effective lower per unit of energy cost (total energy cost/number of kWh's used) of the high users being subsided by the low users?**

## It's all about the load..Enter the Black Swan

As the electrical generation, transmission, distribution and **load** is the energy system, (i.e. the load energy consumption = exactly the instantaneously energy generation – losses) the significant point is the generation responds to and is dependent on what the load is every second, not the reverse. History is the witness to a number of load characteristics, which have and are continuing to occur, directed by the energy industry, government policy, technologies, population growth, changing climate and energy tariffs. All of a sudden, out of the blue the industry is in trouble....

## Government programs encourage efficiency

A number of government (federal, state and local) programs have been initiated over the last two decades which have specifically targeted energy use and behaviour of the “consumer”. It has been seen as in the interest of the community to “cut the waste” and efficiently use resources, saving money, reduce environmental pollution, conserve vital water supplies during drought (which conserved energy through lower energy in pumping and treating), fuel switching (electricity to gas and solar thermal hot water).

Some of the implemented programs:

- MEPS, with various expansions of appliances and increased rating changes
- Energy efficiency light bulb introduction, excluding the ordinary incandescent bulb
- Rebates on washing machine changeover to higher efficiency units
- Rebates for water tanks to save on water
- Queensland government home energy services program

- Federal Government home energy audits
- Queensland government solar hot water bulk installation scheme
- Federal government renewable energy target with rebates for Solar and low energy hot water systems
- Improvements in the thermal comfort of new homes, reducing the need for electric heating and cooling
- Federal government home insulation scheme, making homes more thermally comfortable
- Sponsorship of energy efficiency education programs by Federal, State, Local and business
- Queensland Government Eco Business programs
- Solar PV rebates and Feed in tariffs. First implemented 1/4/2000( 14 years ago!)
- Develop a strategy to encourage energy conservation and demand management in Queensland. (IDC 2012 accepted by QG 2013)

The result of the above programs has been;

- To reduce household energy costs
- to reduce electricity energy demand
- Change the electricity load profile
- increase the number of energy efficient energy customers
- reduce customers energy costs
- expansion of energy efficiency business, services and products
- a Black Swan event for the energy industry

## **The big question;**

Why is the QCA going against the clear stated aims of our governments (Local, State, and Federal) who have implemented many **long term programs** to reduce energy usage and overall costs by increasing the costs for low energy users who have taken up the various government programs?

The proposed ongoing change in the Service charge rewarding the higher users with a reduced unit cost of energy compared to the low user is very clearly against common sense, and the aims of many long standing and successful government programs and policies!

## **Quality data; it is nonexistent?**

It would appear that energy industry has been caught by a “Black Swan” event, well no, what has happened has been coming for decades and if the energy industry had been using all the metrics and policies which have an influence on the “load” and researching accurately what all the government programs would have and are having on “their” load the industry would be in a better position now. Accurate data on the load is absent, the best data that is present is substation feeder data, after the event, and using guess work to try to understand what is happening. This is despite the installation on the Energex and Ergon of electronic meters capable of recording half hour data for over 5 years. The equipment is installed and not activated so the quality data is not collected and analysed. The decision making process appears not to be robust and informed, very limited to no University

research projects have been conducted to inform and join the dots as to what effect the myriad of government programs and consumer technology has and will achieve on the network.

To make matters worse, the energy industry frequently presents “data” which is technically misrepresented and would fail any scientific standard. They seem to spend more time on the next tie of data collecting which is the flow of money without understanding what is happening in the service part of the business.

## The business model?

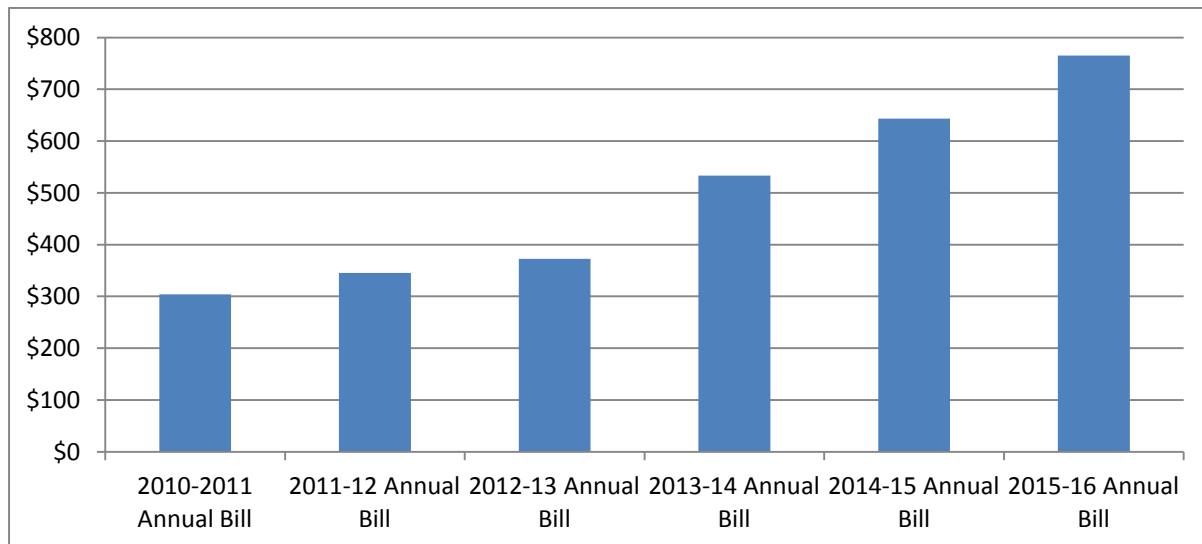
It would seem to me the current proposed increase in the service charge added to that of last year's increase and the equal distribution of the changes to all connected customers, is treating the customers more like share holders, but without any say in the company or any dividend being paid. If this current attitude by the QCA prevails I strongly suggest that all customers be made **equal shareholders** in the distribution business and any company profit be returned to the shareholders in equal measure, instead of the profits going to the owners of the companies.

Put another way; The distribution company owner has made a business discussion, taken out a very large loan, installed new plant and now expects all the business's customers to equally pay back **their** loan plus a mark-up.

## Customer investment

By way of example this customer has “invested” over a period in excess of two decades in an energy efficiency strategy, encouraged by government programs, which provides the same “services” which any modern domestic dwelling has but using a much reduced energy consumption and running cost.

I started off at a level of about 23kWh per day (8.4MWh/year 1993) of electricity and now 2.9kWh per day (1.06MWh/year 2014) **a reduction on the electricity network of 87.4%.**



Graph for 1.06MWh per year customer. Increases of 13.5%, 8%, 43%, 20.6% then 19%

So it would seem now I'm in for a 20% (then another 19% on top the year after) increase on last year's costs, (my partner works from home 3 days a week), we do not live in a “**Mostly vacant holiday home**”. How can you explain a 250% increase from 2010 to 2015 for an energy efficient dwelling?

<http://www.qca.org.au/files/ER-QCA-Paper-DraftDetermination-RREP-1415-1213.pdf>

Your consultant or public servant team writing this report to make a judgement (“Mostly vacant holiday home”) which is grossly misleading and personally insulting. This exposes the major problem with the QCA and the energy industry. It also underpins the many faulty and unsubstantiated assumptions which have been made in coming up with the recommendations.

From your Figure 10 Bill impacts, I really feel for the poor people using 10 times and over my energy consumption and why am I paying for their excessive domestic wastage? Any domestic T11 tariff using over 30kWh per day has a serious problems with wastage, paying in excess of \$11,000 per year they are certainly using more than their fair share of the network infrastructure! The value they are getting for their service charge is great. “Financially vulnerable” How can they be if they are living a life style using \$11k worth of energy per year?

“While this approach to transitioning benefits customers with low levels of consumption, we are mindful that customers with relatively high levels of consumption will also include **financially vulnerable**

customers, for whom the level of the variable charge is far more important, in terms of impact on their bills, than the fixed charge."

How does the QCA justify this statement other than to protect the energy industry's income base? Those customers would greatly benefit from energy efficiency programs they certainly have the incentive. You even expect the price of the kWh charge to drop (greatly benefiting the high users) when full "rebalancing" is achieved!

## My Future

With my energy costs dramatically increasing (250% in 5 years) and the variety of energy efficient appliances increasing the case for moving off grid in the near future is compelling.

## The Case for energy efficiency and increasing energy competition

Customers have demonstrated they take up many of the government programs directed at reducing energy demand continue to expand. This expansion is dependent on some economic rules, like the time it takes to get a ROI on any capital investment. What has been happening and proposed to happen is too dramatically increase the "customer service charge" (and reduce the per unit charge) will have a devastating affect on the ROI of lower use customers and while at the same time reducing any ROI by the high users (through cross subsidies). The retail business have no incentive to encourage energy efficiency programs in fact your proposed solutions only encourages inefficiency, and the high uses are seen as prize customers while the low uses no one wants as they make no money for the business by the QCA own disclosed rates of payments.

The independent Climate Authority February 2014 report makes a compelling the case for Australia's emission reduction targets to be increase to 19% to 2020. As the electricity energy sector is a significant contributor to Australia's greenhouse gas emissions and energy efficiency is the cheapest abatement measure (usually at little to no cost above business as usual) very significant emission reductions are possible solely through this mechanism. The main driver for energy efficiency is the direct cost of energy; the customer needs to be sent signals making it "**clear**" that when an investment by the customer in energy efficiency is made the ROI is maximised and bankable. The best way of maximising any ROI is for the customer to gain the full benefit of the full cost of energy supply to be totally included in per unit of energy cost. **This may also include an increasing block tariff unit cost for high users to give more incentive for savings or increase the ROI of energy efficiency products and services.**

## The big picture

For the QCA to be fully aware of the urgent need to reduce Australia's greenhouse gas emissions (through the many current reports Climate Authority, Climate Council, CSIRO and the IPCC, IEA, IMF etc) and not implement strategies which maximise the opportunities for the end customer to lower their energy use (costs and emissions) by the most cost effect manner will have a number of major long term negative consequences. The methods currently proposed by the QCA will only increase everyone's costs which is exactly the opposite too the QCA aims.